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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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SECURITY INFORMATION

COUNTRY Austria

REPORT NO.

25X1A

SUBJECT Sale of Drilling Equipment and Diesel
25X1C Motor Parts to China by USIA firm

DATE DISTR.

29 October 1953

NO. OF PAGES

3

REQUIREMENT NO. RD

REFERENCES

THE SOURCE EVALUATIONS IN THIS REPORT ARE DEFINITIVE.
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(FOR KEY SEE REVERSE)

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1. The China National Import and Export Corporation (CNIEC), designated herein as buyer, and the Podjomnik firm, designated herein as seller, agree to, respectively, buy and sell 20 standard spoon drills (Loeffelbohrerustsetze) and attachments (Ergaenzungen), spare parts for spoon drills and spare parts for diesel engines. The spoon drills, type SBA 10, have a boring depth of 1,000 meters and are manufactured by Mannesmann-Traulz, Vienna.²
2. The items will be paid for in US dollars and the lot or lots in US dollars or Swiss francs; the total value, including packing costs, is \$478,520 or 2,051,657 Swiss francs fob the port of Gdynia, Poland.
3. The spoon drills are to be shipped on or before 30 September 1953 and the remaining items on or before 31 October 1953 with the exception of the bore collars (Bohrerkraegen), which are to be shipped on or before 30 November 1953. The sellers will ship the goods by rail from Vienna to Gdynia. Ten days before shipping the goods the sellers will cable the East Berlin office of the China National Import and Export Corporation the contract number, quantity and/or weight of the shipment and the approximate date of shipment. Another cable will be sent to the C. Hartwig firm in Gdynia after departure of the shipment; this cable will show the contract number, the quantity and/or weight (gross and net) of the shipment, the name of the railroad station from which the shipment was sent and the expected arrival date. When all the goods listed in the contract have been shipped, the pertinent details on each shipment will be sent to the China National Import and Export Corporation, Peiping, and its representative in Berlin.

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4. Podjomnik will insure the goods with a warehouse to warehouse clause for the total value, with an additional 10 percent to cover the risk of sea damage, theft, petty theft and non-delivery.
5. The goods will be examined during the manufacture and their handling until time of shipment observed by BERIM³, as appointed by the buyers.
6. The following documents must be executed in quintuple by Podjomnik:
 - a. The invoice.
 - b. The packing list.
 - c. The manufacturer's certificate of quality, quantity and/or weight.
 - d. The BERIM certificate of quality, quantity and/or weight.
 - e. A certificate of receipt for the goods issued by C. Hartwig, Gdynia.
 - f. Certified duplicates of the cable notifications.

A series of documents from (a) through (e) will be forwarded in triplicate to C. Hartwig, Gdynia. A series of documents consisting of seven copies each of (a) and (b) and three copies each of (c) and (d) will be forwarded to the Hungarian National Bank. Two sets consisting respectively of duplicates of documents (a) through (d) and single copies of (a) through (d) will be forwarded under separate cover by air to the representative of the China National Import and Export Corporation in Berlin.

7. The payment conditions for the spoon drills are as follows:

Four weeks after signing the contract, the China National Import and Export Corporation will deposit an irrevocable, divisible letter of credit in the Hungarian National Bank in Budapest; this letter of credit will be payable to Podjomnik upon presentation of the documents listed above. The letter of credit will not be valid after 14 October 1953.

8. The payment conditions for the replacements, spare parts for spoon drills and spare parts for diesel engines are as follows:

Upon notification from Podjomnik of the expected delivery date and four weeks prior to that date, the China National Import and Export Corporation will deposit an irrevocable, divisible letter of credit with the Hungarian National Bank; this letter of credit will have a validity of six weeks.

9. The sellers agree that all damages or losses during transport of the goods to Gdynia will be charged to their account and that the executing bank will honor claims only for value received as certified by C. Hartwig, Gdynia.
10. The sellers guarantee shipments of good quality which correspond to the description set forth in paragraph one of the contract. Should the goods not correspond to that description, as certified by BERIM, the buyers need not accept them. In this case the buyers may cancel the contract, require the sellers to replace the goods or demand compensation for damages suffered through impairment or loss of goods. The sellers guarantee the performance of the spoon drills for six months after the date on which they are put in service in China.
11. At the request of the buyers the sellers will deliver additional goods to cover deficiencies if the quantity of the goods is found and certified by BERIM to be less than called for by contract. All costs of checking, examining and weighing of goods at the time of shipment will be borne by the sellers.
12. Each case of goods will be marked with the shipping number of the buyers, case number and gross and net weight in order to facilitate inspection.

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13. The sellers will compensate the buyers for damages or loss suffered through delivery delays. The sellers are authorized to replace spoon drills damaged in transport at their own expense within a month after arrival. In the event that the sellers are unable to obtain an export license or transit license, they are nevertheless obligated to fulfill delivery and will bear full responsibility for damages and losses suffered thereby on the part of the buyers.
14. The buyers have the right to cancel the contract under any of the following conditions:
- a. The inability of the sellers to obtain export or transit licenses.
 - b. A discrepancy between the goods shipped and those described in the contract.
 - c. Failure to deliver the goods or to meet the dates set forth in the contract.
15. The sellers are not to be held responsible for failure or delay in delivery caused by circumstances beyond their control such as war, internal disorders, blockade, strikes, factory shut-down, flood, fire, frost or drought. But documentary proof certifying the disaster and executed by the Chamber of Commerce, qualified government officials or public notary at the place of the disaster must be submitted.
16. Differences of opinion between the contractual partners which cannot be settled amicably will be presented to a court of arbitration in Berlin. The decision reached by this court will be valid and binding for both parties.
17. All communications in connection with the intitiation of a letter of credit and its completion will be addressed directly to the Peiping office of the China National Import and Export Corporation. Only communications having to do with contract amendments will be addressed to the office of the CNIEC representative in Berlin.

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1. [] Comment: Probably 13 Chiao Ming Hsiang. Previous references [] give the firm's address as 83 Chuan Ta Hutung, West City, Peiping.

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2. [] Comment: Mannesmann-Traulz is a Soviet-controlled firm (USIA firm).

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